



Petroleum Market Report

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Energy Information Administration
Office of Oil & Gas

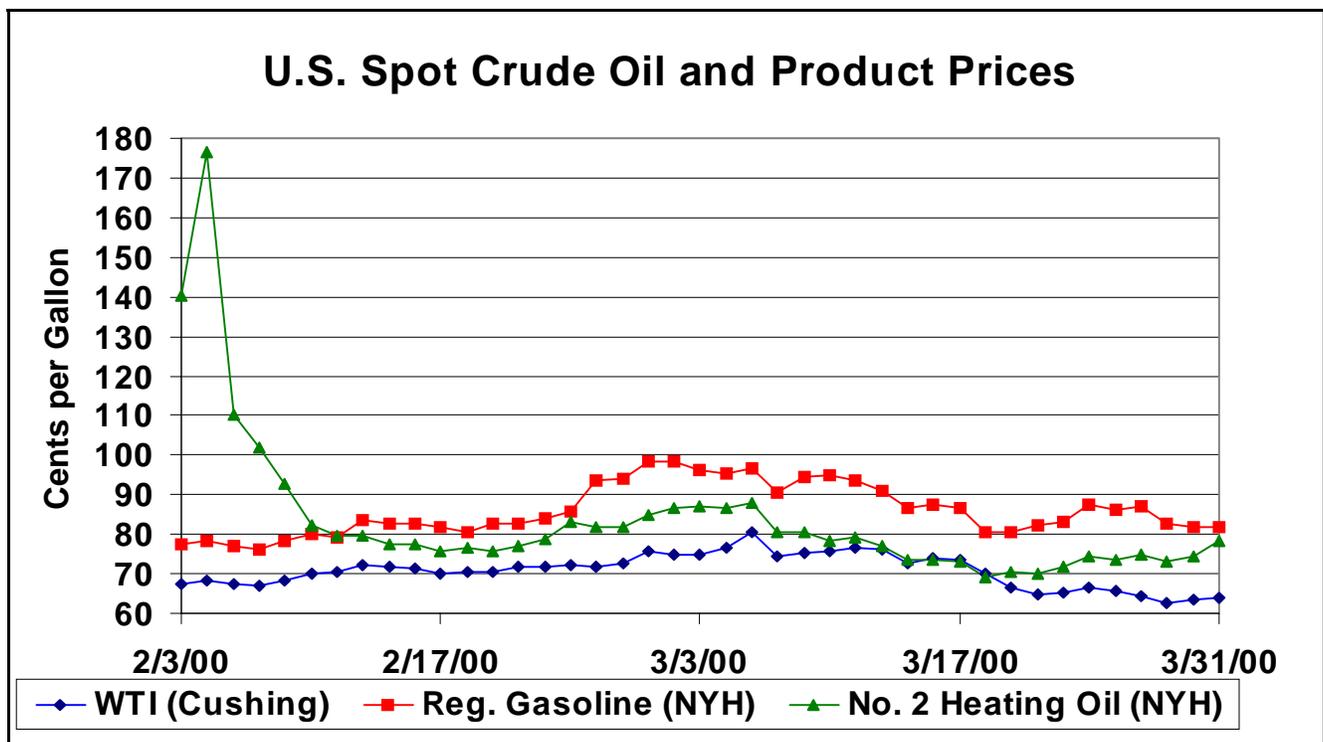
MARKET SUMMARY

After weeks of anticipation by analysts and traders, the immediate impact of last week's OPEC meeting on petroleum spot and futures markets was largely anticlimactic. Prices generally declined through Wednesday, when the meeting concluded, then turned moderately higher overall to finish the week. Crude oil prices hit their lowest levels in 2½ months on Wednesday before recovering slightly, while gasoline returned near recent lows struck the previous week. A second straight weekly stockbuild in gasoline and expiration of April NYMEX product futures contracts were also cited as significant factors.

Crude oil - prices continued a 3-week, \$7.50-per-barrel downturn through Wednesday, reaching their lowest point since mid-January at the conclusion of the OPEC meeting in Vienna. As widely expected, the meeting resulted in an increase in the group's production quotas, though officially without the assent of Iran, which wanted a smaller increase, but later said that it would produce at its "share" of the agreement. The nominal increase, including Iran, totaled 1.7 million barrels per day, but was expected to result in a smaller rise in actual output due to existing overproduction. Mexico and Norway announced increases of 150 and 100 thousand barrels per day respectively, while Iraq's output is also expected to climb following recent modifications to its U.N.-sanctioned humanitarian sales program.

Gasoline - outpaced the decline in crude oil, as a stockbuild for the week ending March 24 returned inventories near the seasonal average range for the first time since late 1999. Impending expiration of the April NYMEX contract affected prices throughout the week.

Distillate - prices continued a modest late-winter recovery in the face of declines in crude oil and gasoline. A moderate draw in the week ending March 24 kept stocks near the bottom of the normal range.



CHRONOLOGY OF RECENT MARKET EVENTS

- 3/31 - rising** - prices rose across the board, driven by shortcovering ahead of the weekend and April product futures expiration. The rise in crude oil prices was undercut by the U.N. Security Council's doubling of allowable Iraqi expenditures for oil infrastructure repairs, while gasoline was supported by a cat cracker shutdown at Motiva's Port Arthur, Texas refinery.
- 3/30 - mixed** - crude oil and distillate prices rose, while gasoline continued downward, following the new OPEC agreement, and ahead of April NYMEX product contract expirations on Friday. The crude oil increase was the first of the week, following a decline to the lowest level since mid-January.
- 3/29 - falling** - all prices fell in the wake of an agreement by OPEC, excluding Iran and Iraq, to raise production quotas by 1.45 million barrels per day. Iran later indicated that it would increase output by its share, making the OPEC total increase 1.7 million barrels per day, and Mexico said it would increase production by 150,000 barrels per day. Gasoline prices posted the largest drops, reflecting an unexpected stockbuild in the weekly API and EIA supply reports.
- 3/28 - mixed** - crude oil prices eased again, as OPEC ended the second day of its Vienna meeting without reaching accord on a production increase, despite reports that members were nearing agreement. Product prices moved higher, reportedly due to impending NYMEX contract expiration on Friday.
- 3/27 - falling** - spot and futures prices posted moderate declines, as markets cautiously awaited the outcome of the ongoing OPEC meeting in Vienna. Early reports indicated that Saudi Arabia was seeking an increase of 1.7 million barrels per day for the cartel excluding Iraq, while Iran preferred a smaller increase. Trading was also seen to be quiet due to an industry meeting in Texas.
- 3/24 - rising** - all prices rose strongly, led by products, in trading characterized by shortcovering ahead of the OPEC meeting beginning Monday. Traders noted OPEC's lack of agreement on the need to increase production, which has prompted concerns that any output boost agreed upon may be too small to rebalance markets.
- 3/23 - mixed** - most prices moved higher in relatively uneventful trading, as markets awaited Monday's OPEC meeting in Vienna. Near-month crude oil futures fell slightly, with traders seen as reluctant to hold long positions ahead of the meeting.
- 3/22 - mixed** - price movements were again varied, with crude oil declining for a fourth straight day, but most products rising. The decline in crude was ascribed to a larger-than-expected stockbuild in the weekly supply reports, along with reports of a growing consensus within OPEC for increasing production. Gasoline was lifted by rumors of a cat cracker problem at a Northeast refinery.
- 3/21 - mixed** - crude oil prices continued to fall ahead of April futures contract expiration at the close, while products moved higher. Anticipated production increases from OPEC and other exporters were cited, along with expectations for the weekly API and EIA supply reports.